

**MARCH 20th FLOOR STATEMENT BY SENATOR MAX BAUCUS:
AMMENDMENT TO THE FY2004 BUDGET RESOLUTION;
EQUAL MEDICARE DRUG BENEFIT FOR FFS BENEFICIARIES**

I am proposing a very simple amendment. My amendment would clarify the Medicare reserve fund language to say that beneficiaries who choose to remain in the current fee-for-service program – which, I might add, is 89 percent of all seniors right now – should get the same drug benefit as those who choose to enroll in a private plan.

Let's put aside the question of whether \$400 billion is enough for an adequate drug benefit. Having spent a lot of time reviewing the cost of different benefit levels, I know that \$400 billion buys a rather paltry benefit.

But whatever benefit level we can afford with that amount, we should make sure that the same benefit is available to seniors who choose to stay in the fee-for-service program as those who enroll in an HMO, a PPO – or any other sort of private plan in Medicare. I believe that is the commitment many of us have made to our seniors, and that is the commitment we ought to fulfill.

Earlier this month, President Bush unveiled his vision for Medicare reform. I am pleased that he doubled the amount of money he is willing to spend on a prescription drug benefit, over what he proposed last year. But I am concerned that the President's vision for reform is to privatize the program. He would give a comprehensive drug benefit to seniors who enroll in private plans. But those who choose to stay where they are now, in the fee-for-service program, would get only a discount card and catastrophic coverage.

That is not something I'm willing to support and I will explain why.

First, we already know that private plans have had difficulties serving the Medicare population. Many of my colleagues may recall that the reason Medicare was created in the first place was because so many seniors were ill-served by the private market. About half of the elderly were uninsured in 1965. Because of Medicare, now nearly all elderly are covered.

More recently, since Medicare+Choice was created in 1997 to expand private plan options in Medicare, we've seen a dramatic drop in the number of HMOs participating in the program. And as a result, an estimated 2.4 million beneficiaries have lost their health plan. As you can see by this chart only 875 counties across the country currently have a Medicare managed care plan. That's out of a total of 3,200 counties. So more than 2,300 counties don't have access to managed care plans or PPOs.

Looking at this map, I might add that the counties without these plans are predominantly rural. And it's not that plans are underpaid, as some might try to argue. The average payment to Medicare+Choice plans is currently 104 percent of local fee-for-service costs. That figure doesn't tell the whole story, but it does suggest that simply increasing payments will not draw private plans into rural areas.

My own state of Montana is a good example. The floor payment for Medicare+Choice plans in Montana is 128 percent of local fee-for-service costs. Yet, we don't have any HMOs or PPOs in my state.

Let me repeat that, Mr. President – despite a payment rate that is 28 percent higher than traditional Medicare, private health plans are still not serving Montana seniors.

All this leads me to the second reason I do not support the President's proposal – it doesn't save any money. Moving beneficiaries into private plans will not save the program for the next generation and will do nothing to address Medicare solvency.

We can all talk about coordination of care, disease management, and the potential efficiencies private plans might be able to achieve. But at the end of the day, private health plans are subject to the same cost pressures affecting the entire health care system. Just look at the Federal Employees Health Benefits Plan, FEHB. This plan serves federal employees, retirees, and their dependents and has been held up as a model for Medicare reform. Yet we find that FEHB premiums have increased, on average, by more than 10 percent each year in the last five years. Far faster than Medicare's per capita costs.

Third and finally, I don't support a differential drug benefit, because it's just not fair to make beneficiaries move into a private plan to get a drug benefit. In Montana, virtually all beneficiaries are in traditional Medicare. That means, in order for them to get a drug benefit, they would need to drop their supplemental coverage and enroll in a private plan – accepting all the restrictions, preferred networks, and coverage limitations that come along with the plan.

For a senior that is accustomed to what she currently has, and to anyone with a chronic health condition, this is a frightening proposition. As the Chairman of the Energy and Commerce Committee, Mr. Tauzin so aptly said recently, "You couldn't move my own mother out of Medicare without a bulldozer. She trusts it, believes in it. It's served her well."

Mr. President, that is the case with millions of seniors around the country. They like what they have now, and they want to stay there. They need a drug benefit, they've been pressing Congress to act for months, years now, and they don't believe they should have to swallow such far-reaching reforms to get the help they need. And the more we delay, the more expensive it gets to provide this benefit.

In the four years that Congress has been seriously debating Medicare prescription drugs, we've considered a range of options. And we've seen the CBO scores for these proposals go up and up as we've taken longer and longer to act.

While there are differences in the bills we have debated, they all have one thing in common. They would offer ALL seniors the same level of drug benefit if they chose to enroll in the new benefit. Not just private plan or HMO enrollees, but ALL beneficiaries.

In closing, I'd like to point out that 90 members of the Senate who are here today voted in favor of legislation last summer that would uphold this principle.

I think we should keep the commitment we made last summer. I am happy to work with the administration and my colleagues across the aisle on ways to improve and increase private plan participation in Medicare. But we need to make sure that the benefit is provided in full to fee-for-service beneficiaries as well as private plan enrollees.

For the sake of America's seniors, particularly the oldest, the sickest, and the most frail, and for the sake of America's rural seniors, I urge adoption of this amendment